

CREDIT AND DEBT MANAGEMENT OPERATING STANDARDS AND PROCEDURES HANDBOOK

CHAPTER 3. POLICY

Section 1.0 General

.01 Financial Assistance (Credit Extension) Functions

Departmental policy, procedures and standards for financial assistance programs (including grants, cooperative agreements, loans and loan guarantees) are administered by the Office of Financial Management (OFM). See [Departmental Organizational Order \(DOO\) 20-28](#), “Director for Executive Budgeting and Assistance Management.” Also refer to [Departmental Administrative Order \(DAO\) 203-26](#), “Department of Commerce Grants Administration,” for guidance on grants and cooperative agreements. Operating policies, procedures and standards for financial assistance and credit extension functions, which are established and maintained by OFM, are included in [Chapter 5](#) of this Handbook, Procedures for Loans and Loan Guarantees Pre-award Evaluation, for the user's convenience.

.02 Debt Management Functions

The OFM is responsible for developing, issuing and implementing policies, procedures and standards for the management of Federal debts, including debt accounting and financial reporting, loan servicing, debt portfolio management and debt collections.

Section 2.0 Debt Accounting and Financial Reporting

.01 U.S. Standard General Ledger Compliance at Transaction Level

Debt accounting records shall be maintained in compliance with U. S. Standard General Ledger requirements at the transaction level.

.02 Principles and Standards

Accounting and reporting systems will meet the principles and standards established by OMB and Treasury central agencies. The systems will meet the specific requirements established by:

- a. [OMB Circular A-129 Revised, “Policies for Federal Credit Programs and Non-Tax Receivables;”](#)

- b. [OMB Circular A-127 Revised, “Financial Management Systems;”](#)
- c. [Federal Accounting Standards Advisory Board \(FASAB\) Standards, Interpretations, Technical Bulletins, Technical Releases of the Accounting and Auditing Policy Committee, and Implementation Guides;](#)
- d. [Treasury’s “Guide to the Federal Credit Bureau Program;”](#) and
- e. [Treasury Financial Manual](#) reporting requirements.

.03 Other Requirements

The accounting and reporting systems will also meet the credit management needs of organization unit operating personnel. This will include but not be limited to the development of loan loss estimates, collection targets, and write-off estimates. The systems will permit calculation of various performance measures and rates by credit and debt management program officials.

Section 3. Loan Servicing

All bureaus must meet loan servicing standards as set forth in [OMB Circular A-129 Revised](#) regarding loan documentation, billing and collections, the use of escrow accounts and debt reporting to credit reporting agencies. Loan servicing procedures are provided in [Chapter 6, “Loan Servicing”](#) of this Handbook.

Section 4. Debt Portfolio Management

.01 Intent and Purpose

The intent and purpose of periodic debt portfolio reviews are set forth in [OMB Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables,” Section IV. 3. “Asset Resolution.”](#)

.02 Annual Portfolio Review

Organization units will review, at least annually, the economic and legal feasibility of selling all or a portion of their loan portfolio(s). The review will include current and proposed statutory and regulatory provisions governing loan programs and propose removal of any impediment to loan sales on a non-recourse basis. When feasible, organization units should sell loans for cash without recourse, repurchase agreement, or other Federal guarantees. Organization units should consider the sale of loans under present value arrangements to the original borrower.

Proposed sales of loan assets held by organization units will be reported to, and coordinated with the Office of Management and Budget and the Department of the Treasury.

Section 5. Debt Collection

The debt collection procedures and policies provided in [OMB Circular A-129 Revised](#) and revised [Federal Claims Collection Standards \(FCCS\), Chapter IX](#), shall apply to all organizational units within the Department. The following is an overview of Departmental policy concerning delinquent debt collection. See [Chapter 8](#) of this Handbook for details.

.01 Fair but Aggressive Collection Action

Each organization unit shall take fair but aggressive collection action on a timely basis with effective follow-up to collect all debts. One demand letter is required to be sent to the delinquent debtor. The demand letter will include the applicable standards for imposing any interest, penalties or administrative costs, and appropriate legal notification requirements for collection actions planned by the organization unit, such as offset, referral to the Treasury Department for cross-servicing, referral to the Justice Department for litigation, collection agency referral, and credit bureau reporting.

.02 Private Sector Credit/Debt Collection Resources

To the extent permitted by law, organization units will use private sector resources in judging the credit worthiness of financial assistance applicants. Organization units will utilize [Treasury's Financial Management Services, Debt Management Services](#), which includes the Treasury Offset Program, and Cross-Servicing, for the collection of delinquent claims. Organization units will also provide, as directed by the Department, commercial and delinquent consumer debt status information to private sector credit reporting bureaus approved by the Treasury Department. See [Chapter 8](#) for more details.

.03 Debt Rescheduling and Workout Plans

Debt rescheduling and Workout Plans shall be in writing, approved by the appropriate organization unit official, and should be made available upon request from auditors or other Departmental units.

.04 Delinquent Debts Transferred to Treasury

As required by the [Debt Collection Improvement Act of 1996](#), debts delinquent by more than 180 days must be referred to Treasury for cross-servicing. This

review and transfer process must be accomplished on a monthly basis.

If a debt is not referred to Treasury, the reason(s) for non-referral shall be documented by the responsible organizational unit. Such documentation shall be available for inspection by the Department as needed.